

Section 79z, act Aug. 26, 1935, ch. 687, title I, § 26, 49 Stat. 835, related to validity of contracts.

Section 79z-1, act Aug. 26, 1935, ch. 687, title I, § 27, 49 Stat. 836, related to liability of controlling persons for unlawful acts or prevention of compliance.

Section 79z-2, act Aug. 26, 1935, ch. 687, title I, § 28, 49 Stat. 836, related to representation of guaranty or recommendation by United States.

Section 79z-3, acts Aug. 26, 1935, ch. 687, title I, § 29, 49 Stat. 836; Pub. L. 94-29, § 27(c), June 4, 1975, 89 Stat. 163, related to penalties for violations of provisions, false statements, or destruction of records.

Section 79z-4, acts Aug. 26, 1935, ch. 687, title I, § 30, 49 Stat. 837; Pub. L. 100-181, title IV, § 405, Dec. 4, 1987, 101 Stat. 1260, related to studies and investigations of public utility companies.

Section 79z-5, acts Aug. 26, 1935, ch. 687, title I, § 31, 49 Stat. 837; Oct. 28, 1949, ch. 782, title XI, § 1106(a), 63 Stat. 972; Pub. L. 101-550, title I, § 104(a), Nov. 15, 1990, 104 Stat. 2713, related to hiring and leasing authority of Securities and Exchange Commission.

Section 79z-5a, act Aug. 26, 1935, ch. 687, title I, § 32, as added Pub. L. 102-486, title VII, § 711, Oct. 24, 1992, 106 Stat. 2905, related to exempt wholesale generators of electrical energy.

Section 79z-5b, act Aug. 26, 1935, ch. 687, title I, § 33, as added Pub. L. 102-486, title VII, § 715, Oct. 24, 1992, 106 Stat. 2912, related to treatment of foreign utilities.

Section 79z-5c, act Aug. 26, 1935, ch. 687, title I, § 34, as added Pub. L. 104-104, title I, § 103, Feb. 8, 1996, 110 Stat. 81, related to exempt telecommunications companies.

Section 79z-6, acts Aug. 26, 1935, ch. 687, title I, § 35, formerly § 32, 49 Stat. 837; renumbered § 34, Pub. L. 102-486, title VII, § 711, Oct. 24, 1992, 106 Stat. 2905; renumbered § 35, Pub. L. 104-104, title I, § 103, Feb. 8, 1996, 110 Stat. 81, set forth separability clause.

#### EFFECTIVE DATE OF REPEAL

Repeal effective 6 months after Aug. 8, 2005, with provisions relating to effect of compliance with certain regulations approved and made effective prior to such date, see section 1274 of Pub. L. 109-58, set out as an Effective Date note under section 16451 of Title 42, The Public Health and Welfare.

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## SUBCHAPTER I—INVESTMENT COMPANIES

**§ 80a-1. Findings and declaration of policy****(a) Findings**

Upon the basis of facts disclosed by the record and reports of the Securities and Exchange Commission made pursuant to section 79z-4<sup>1</sup> of this title, and facts otherwise disclosed and ascertained, it is found that investment companies are affected with a national public interest in that, among other things—

(1) the securities issued by such companies, which constitute a substantial part of all securities publicly offered, are distributed, purchased, paid for, exchanged, transferred, redeemed, and repurchased by use of the mails and means and instrumentalities of interstate commerce, and in the case of the numerous companies which issue redeemable securities this process of distribution and redemption is continuous;

(2) the principal activities of such companies—investing, reinvesting, and trading in securities—are conducted by use of the mails and means and instrumentalities of interstate commerce, including the facilities of national securities exchanges, and constitute a substantial part of all transactions effected in the securities markets of the Nation;

(3) such companies customarily invest and trade in securities issued by, and may dominate and control or otherwise affect the policies and management of, companies engaged in business in interstate commerce;

(4) such companies are media for the investment in the national economy of a substantial part of the national savings and may have a vital effect upon the flow of such savings into the capital markets; and

(5) the activities of such companies, extending over many States, their use of the instrumentalities of interstate commerce and the wide geographic distribution of their security holders, make difficult, if not impossible, effective State regulation of such companies in the interest of investors.

**(b) Policy**

Upon the basis of facts disclosed by the record and reports of the Securities and Exchange Commission made pursuant to section 79z-4<sup>1</sup> of this title, and facts otherwise disclosed and ascertained, it is declared that the national public interest and the interest of investors are adversely affected—

(1) when investors purchase, pay for, exchange, receive dividends upon, vote, refrain from voting, sell, or surrender securities issued by investment companies without adequate, accurate, and explicit information, fairly presented, concerning the character of such

securities and the circumstances, policies, and financial responsibility of such companies and their management;

(2) when investment companies are organized, operated, managed, or their portfolio securities are selected, in the interest of directors, officers, investment advisers, depositors, or other affiliated persons thereof, in the interest of underwriters, brokers, or dealers, in the interest of special classes of their security holders, or in the interest of other investment companies or persons engaged in other lines of business, rather than in the interest of all classes of such companies' security holders;

(3) when investment companies issue securities containing inequitable or discriminatory provisions, or fail to protect the preferences and privileges of the holders of their outstanding securities;

(4) when the control of investment companies is unduly concentrated through pyramiding or inequitable methods of control, or is inequitably distributed, or when investment companies are managed by irresponsible persons;

(5) when investment companies, in keeping their accounts, in maintaining reserves, and in computing their earnings and the asset value of their outstanding securities, employ unsound or misleading methods, or are not subjected to adequate independent scrutiny;

(6) when investment companies are reorganized, become inactive, or change the character of their business, or when the control or management thereof is transferred, without the consent of their security holders;

(7) when investment companies by excessive borrowing and the issuance of excessive amounts of senior securities increase unduly the speculative character of their junior securities; or

(8) when investment companies operate without adequate assets or reserves.

It is declared that the policy and purposes of this subchapter, in accordance with which the provisions of this subchapter shall be interpreted, are to mitigate and, so far as is feasible, to eliminate the conditions enumerated in this section which adversely affect the national public interest and the interest of investors.

(Aug. 22, 1940, ch. 686, title I, § 1, 54 Stat. 789.)

## REFERENCES IN TEXT

Section 79z-4 of this title, referred to in text, was repealed by Pub. L. 109-58, title XII, § 1263, Aug. 8, 2005, 119 Stat. 974.

## TRANSFER OF FUNCTIONS

For transfer of functions of Securities and Exchange Commission, with certain exceptions, to Chairman of such Commission, see Reorg. Plan No. 10 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3175, 64 Stat. 1265, set out under section 78d of this title.

**§ 80a-2. Definitions; applicability; rulemaking considerations****(a) Definitions**

When used in this subchapter, unless the context otherwise requires—

(1) "Advisory board" means a board, whether elected or appointed, which is distinct from

<sup>1</sup> See References in Text note below.